



## Brockett's Ag Advice

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### Balancing the Budget On The Backs of Babes

Most people have heard something about the vaunted new tax bill as proposed by the Senate Finance Committee. Some of you have been concerned how you would fare under its rules. Many of you have heard about the controversy over the IRA. A few have expressed concern about the discontinuance of such items as "income averaging", "long term capital gains preference," "sales tax use for itemizing," and "investment credit". Few middle class people have actually complained about any of these because they all figured the rich would finally be forced to pay their own fair share. Right?

One item that few media people and even fewer politicians have mentioned is that all dependent children with bank accounts may now be subject to filing a federal tax return. If a dependent child (no matter what age) has interest plus dividends plus capital gains in excess of \$100, that child will have to file a return and pay a tax of 15 percent of that amount. Dependent children will not be allowed to claim a personal exemption or use

the standard deduction for so called unearned income (interest, dividends, rent, capital gains). This means they will be considered to be a different class of citizens than adults.

How much will this affect the rich? The answer is, probably not much, if at all. Why? The rich will simply move all of their children's money into tax free bonds, trusts, or overseas. Who will bear the brunt of this rule? Primarily the middle class family that is interested in teaching its children to save for education, a future business, or a start up in the adult world.

In the past, families with children who had a bank account earning interest did not worry about the Federal income tax for those children. If the new tax bill passes with this provision intact, there will be a lot of children who will be receiving tax bills from Uncle Sam. As I said many months ago, whenever the people in Congress say they are going to simplify the tax laws, I shudder, because I know that the simplification will usually wind up causing most middle class people extra time, additional effort, and

more money. This one will be no different.

For those of you with dependent parents, it appears as though the same rule will be in effect. The proposed law simply says "the personal exemption is not allowed to an individual who is eligible to be claimed as a dependent on another taxpayer's return."

Do not confuse this rule with another one along the same line. The second rule says that interest income (or any other unearned income) from a gift given by parents to children under age 14 will be taxed as the parent's rate. According to some experts this would include all interest or other earnings on custodial and trustee accounts, with a parent as custodian or trustee, whether the money was gifted by the parents or not.

**Alternative Maximum Tax**  
Recently I read an article in a local paper that stated emphatically "Alternative Minimum Tax" only affects the very rich. That should make the older couple

who sold their farm at a \$60,000 profit smile a bit. Actually "Alternative Minimum Tax" can affect anyone who has income (before deductions or exemptions) over \$40,000 (for married people filing jointly) from any source. That includes the total gain from a capital sale, not just the allowable 40 percent. The new tax law promises to make this more inclusive. That may mean a lower threshold or may mean more items will be covered. It will mean that, according to the new law, the middle income people will continue to get the short end of the stick when it comes to paying taxes.

#### Incorporation Under The New Tax Law

Incorporation of small businesses will look more practical under the new law, especially if the business is fairly profitable. Tax rates for businesses appear to break at a higher rate than for individuals. Once the laws are in place, there will have to be a lot of study to determine the most favorable practice.

### Christmas Tree Growers to Discuss Marketing Program

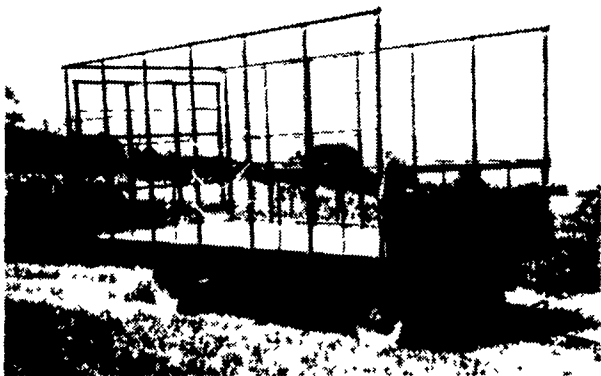
**HARRISBURG** - The Pennsylvania Christmas Tree Growers' Association is calling for a referendum on a marketing program to provide funds for research and promotional activities.

The proposed assessment of 10 cents per tree on all trees har-

vested and sold would provide an annual fund of \$150,000 for marketing activities. The program would be guided by an advisory board of tree producers.

A public hearing on the proposal will be held at 11 a.m., July 21, in Room 309 of the Agriculture Building in Harrisburg.

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